

Solid Waste Advisory Committee

2 June 2010

Meeting Notes

Attending: Councilors Keith Nyhan (chair), and Michael DelloIacono, Melanie Doiron, Arthur Aznive, Greg Banks

Staff: Tom Aspell, Jim Howard, Chip Chesley, Pat Winn, Jim Kennedy

Guests: Jim Presher, Craig Musselman, Paul Schmidt, Liz Bedard, Elaine Kellerman

1. Review Meeting notes of December 1, 2009.
Unable to review meeting minutes to formally adopt as there was no quorum. Minutes will be held until the next meeting.
2. Review correspondence from Brian & Diane Bechlter, 10 Broad Cove Drive, regarding PAYT

It was indicated the vendor realizes twenty three cents on the large bags, and fourteen cents on the smaller bags. These revenues pay for the production, warehousing, distribution, inventory management, and accounts receivable management for the program. The letter made reference to Dover using stickers. Pat noted that Dover also uses bags for solid waste and shared with the committee that the reason bags are used in Concord. He also noted that this point is included on the city's website under Frequently Asked Questions. Committee members suggested future agenda items to include a review of pricing that would permit City vendors to increase the cost of the bag and stickers for oversized items such as couches, appliances. Currently, residents are required to take these items to the transfer station, directly hire a vendor to take these items to the transfer station, or alternatively, directly hire Best way to take the item to the Transfer Station.

Councilor Mike DelloIacono asked if the Fort Eddy Road could be open during the weekend for residents to bring their leaf and yard waste during the spring bagged leaf collection program and fall bulk leaf collection programs. Staff indicated that the proposed budget includes funds to open the facility on Saturday mornings during the seven week spring program and four Saturday morning during the fall; excluding Thanksgiving weekend. The committee is in general support of having the Fort Eddy Road open during Saturday mornings. Funds were cut from the previous year's budget to have the facility available on weekends. For this year, Administration decided to propose to add it back in during collection times; possibly a one year trial basis to see how much it brings in.

3. Co-op Single Stream Update and Action

Chip opened by saying there are three issues...technical, financial and legal, and turned the floor over to Jim Presher, Executive Director, Co-op.

Jim Presher added it has been about a year ago since the Co-op was last at the committee with their proposal. He advised that the Co-op now able to secure a little over 25,000 in tonnage, in which the City was looking for before committing. Jim said they are still working with other towns including four (4) that are looking to join. Coop is also talking with Belknap County. He advised he had received letter from Newark Box, Pinard and Bestway indicating there are interested in delivering materials to the site when built. He noted the Co-op's proposed facility will save each of these commercial vendors travel time. He noted that Best way and Pinard deliver currently deliver their material to Portland, Maine, and backhaul paper to Massachusetts. Empire Recycling (single stream) hauls to Massachusetts. He noted the term of Commercial contracts could be daily, or 30, 60, or 90 days, including one and two year contracts. He stated contractors are always looking for competitive pricing. He then turned the floor over to Liz Bedard, who has been retained by the Co-op to help them secure recycling tonnage.

Liz Bedard noted that the Mayor and Concord City Council was looking for 25,000 tons committed from Co-op members and municipalities outside of the Co-op (RFAM, Recycling Facility Associate Members) and also an additional 5,000 tons in short term contracts from commercial sources, which they currently have. This is not including commercial which they are still working on. She noted here is no double accounting; not included in tonnage. She noted that the RFAM contracts are structured with two escape clauses where the RFAM member may withdraw their material from the facility. They are:

1. If the fee for recycling exceeds 90% of the Co-op tip fee for trash.
2. Revenue for recycling goes below zero the RFAM have to pay. Can exercise it once with 6 month's notice.

For recycling from commercial sources, she state the Co-op will need to set fees on a regular basis, and it will require an individual from the Co-op working on this matter on a full time basis since there will likely be weekly, monthly and yearly terms.

Jim Presher provided a little background on the Co-op's proposal. The building will be in the Industrial Park off Whitney Road. The site includes 43 acres; can improve an additional ¼ more with utilities. They will encourage future development. The facility will start with 25-30 employees. The Co-op has been looking at a pilot in the amount of \$125,000 annually.

He noted transport by rail is possible for the future, but rail transport is currently not practical. The facility could also double as our transfer station. They are also looking at double packers for pick-up. He noted that Wheelabrator's contract with the Co-op currently ends in 2018.

Keith Nyhan stated commodities started high and bottomed out. After a review of financial numbers, City Council supported construction of the project if Co-op could get 25,000 tons from municipalities. He stated that the Co-op is back now, with updated numbers, it's time to sign the dotted line.

Tom Aspell said he looked at the numbers stating the key was 30,000 in tonnage. He noted the plant cannot operate with less, but could operate as high as 70,000 in tonnage. How do we secure that tonnage? Jim Kennedy said it looked secure, except for 800 tons.

Tom noted that the Co-op could build much of the facility with cash. If the facility is built and it "tanks", you would try to recover the funds and build a nest egg.

Manchester was looking to build the first local facility and are now bankrupt. Area needs only one. Manchester is waiting for Concord.

Keith stated we have the most to gain and also the most to lose. Everyone is waiting to see what Concord is going to do.

Tom said the risk of the recycling markets will be borne by all of the participating municipalities. Concord will derive the benefit of Payment Lieu of Taxes with a CPI going forward.

Jim indicated next group of numbers and feed into model. This compares to a year ago. Tonnage was marginal; market expects to increase over time. DSM to do supplement analysis; where risks were...was supportive with recommendations.

Keith said we'll need to deal with the market regardless since the City has currently committed to recycling.

Tom noted, in the past, the City contracts didn't take risks, and just paid to get rid of it. He noted the key is providing recycling is taking a risk. In nine years should the economy tanks, then what? Could we be mailing money in ten years? He noted even with a non-risk contract, we're still gambling, since we are exposed to the recycling markets.

Jim Presher said charging \$30 ton on recycling, we'd get \$60 a ton.

Craig stated the planning for the project started 2-3 years ago. About 1 ½ years ago, the recycling markets dropped significantly in October 2009. Since that time, all steadily have increase and still climbing. He noted that the Dow Jones Average would compare very closely at this point.

Keith mentioned oil prices are supposed to increase.

Craig noted economics are up a little from last year; overall, economics have increased. Looking at paying \$15/ton. Since that time, municipalities may realize payment of \$35/ton. He noted that recycling revenues could generate quarterly payments back to the City. He noted the success of the Co-op's project will be its ability to compete with Portland paying \$5-10/ton. Private haulers getting zero, plus \$5.00. Last year, it was struggling; this year looking positive.

Craig noted to their credit, Jim Presher and Liz Bedard have signed up twenty communities for this project.

Tom said the COOP needs to keep competitive; if someone wants out, where would they go?

It was noted that Cochran filed last April for bankruptcy. Cochran wants to keep the contract and send the material to Lempster, Massachusetts. It was noted that Manchester is trying to extract themselves from their contract with Cochran.

The Co-op advised that Nashua doesn't consider any long term contracts.

RFAM and Co-op set fees at the beginning of the year and Co-op benefits more than RFAM. Recycling committee – final decision is the Co-op members. He noted that the Co-op membership votes are weighted with Concord holding 1/3 of the vote.

Councilor Mike DelloIacono was concerned there were no long term equipment plans. Craig said the Co-op funds an operating reserve of four million dollars.

Keith noted that the Co-op has come back with the number and wanted to know if there were any red flags from DSM Environmental.

Jim Howard said there's a risk. He noted that the RFAM may decide to go elsewhere, and clearly there are risks involved. He noted that the issue is recapturing 50% of the capital value. He noted that we'd have to oppose the bottle bill though the Co-op's model shows lost revenues from a bottle bill is not a big loss. Subject to debate on the bottle bill.

Keith noted that Wheelabrator, with its risks, is now 22 years old.

Tom said the biggest concern was using dollars to build facility and only getting half of it back or trying to pull out of Co-op. Then what would we do? It is something of a risk and a business venture. It's a risk with RFAM and also risk with COOP. He noted that it is unusual for communities to cooperate together, and that has been the key to the Co-op's success to date.

Jim Presher is still talking to commercials, and discussed that the Co-op may offer spot market pricing that is more attractive in the short term.

Jim Howard asked for an example. Craig said its \$30/ton, have some from Connecticut and pay them \$40/ton. Have to vote by 2/3 vote. Contract needs to be more than a year or less than 90 days. Concord, Merrimack get better price (15 years) than Nashua. If closed in less than 15 years, won't lose money. COOP takes risk here, money that is used to build facility.

Keith said City Council said if Co-op came back with the numbers and they have, then we could go forward. No risk, no reward.

Melanie said the benefits outweigh the risks.

Factoring staff review including the Finance and Legal Departments and the unanimous consensus of those committee members that were present, it was decided to go forward!

Elaine was very excited with this decision!

Meeting adjourned at 5:43 PM.